Annual Report and Financial Statements
for the year ended 31 March 2015

GUERNSEY POST

CORPORATE DETAILS

Directors:
Dudley R Jehan (Chairman)
Boley Smillie (Chief Executive)
Steve Sheridan (Finance)
Steve Hannon (Non-Executive)
Andrew Duquemin (Non-Executive)
Stuart Le Maitre (Non-Executive)
Simon Milsted (Non-Executive)

Auditors:
KPMG Channel Islands Limited
Chartered Accountants
Glategny Court
Glategny Esplanade
St Peter Port
GUERNSEY
GY1 1WR

Actuaries:
BWCI Consulting Limited
Actuaries and Consultants
PO Box 68
Albert House
South Esplanade
St Peter Port
GUERNSEY
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Registered office:
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La Vrangue
St Peter Port
GUERNSEY
GY1 1AA

Greffe Registration Number: 38693

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CHAIRMAN'S STATEMENT

In my last full year as Chairman of the Guernsey Post Board, I am delighted to present our annual results which has seen continued profitability, notwithstanding a most hostile trading environment and a period in which we have seen a number of major customers leave our island.

To ensure the Company's success, we continue to adapt to the challenging conditions facing the postal industry by seeking efficiencies and focusing on enhancements to our services. Core letter volumes continue to decline, which, when combined with the volatility of bulk mail, has a significant and to some degree unpredictable impact on our overall revenue.

The threatening commercial outlook that continues to face the company is more fully described in our Business Review on page 6 of these financial statements.

Revenue decline has only been partly offset by the growth of internet shopping and the associated increase in parcel volume. The business needs to continue to seek for further significant efficiencies. These changes will continue to be felt right across the business and I would like to thank our staff for their continued loyalty and commitment in this endeavour.

INVESTORS IN PEOPLE

Guernsey Post has been awarded the Investors in People Gold standard once again this year, remaining one of the top 7% of accredited organisations across the UK.

Investors in People is the UK's leading accreditation for business improvement through people management and provides a wealth of resources for businesses to innovate, improve and grow, with a focus on good people making great business.

We are extremely pleased to have received the highest accreditation for this internationally recognised award. It acknowledges the continued hard work that has taken place right across the business to improve the way we work. Given the challenges currently facing the postal industry, the award also reflects our ability to successfully adapt to change and a determination to continuously develop the business.

PENSION

In light of the significant financial uncertainty and an FRS17 deficit which has increased by a staggering 49% to £25.1m in the last year alone, the Board has opened its own negotiations with its workforce in respect of reform of the final salary pension scheme. Guernsey Post employees are members of the States of Guernsey Public Sector Pension Scheme, a legacy dating back to before the commercialisation of the business in 2001. The pension scheme offers employees a defined benefit, linked to final salary, which is widely considered to be unaffordable and unsustainable.

The pension deficit is overshadowing what are very positive trading results for the business, achieved in difficult circumstances. The imperative for change, driven by issues beyond our control is now so great that the Board does not believe, under any circumstances, it can wait for the outcome of any mediation or legal resolution between the States of Guernsey Public Sector Remuneration Committee and their respective Trade Unions.

"To ensure the Company's success, we continue to adapt to the challenging conditions facing the postal industry by seeking efficiencies and focusing on enhancements to our services."

DIVIDEND

As a consequence of the impact on the balance sheet of the increasing FRS17 pension deficit and the associated open ended obligations, the Board is not currently recommending an ordinary dividend. The Board will, however, be keeping the position under review pending resolution of the pension reform review.

SHAREHOLDER

I am pleased to note that the regulatory regime, introduced in 2001, has been reviewed by the States of Guernsey and a more appropriate approach has now been agreed. In recent years, the market in which we have been trading has changed significantly and the former regulatory model was no longer fit for purpose. Indeed, the Channel Islands Competition and Regulatory Authority (CICRA) had already removed price controls after acknowledging that significant changes in the postal market meant that they were no longer warranted.

In conjunction with these regulatory changes, my Board agreed a Memorandum of Understanding (MOU) with our Shareholder outlining objectives and key performance indicators. The MOU focuses on our strategy to continue to deliver cost-effective and innovative services that operate efficiently and responsibly in the best interests of the community. The objectives include:

- Guaranteed customer service standards;
- A requirement to undertake periodic reviews of efficiency;
- A requirement to maintain the Universal Service Obligation (USO).

THE BOARD

There have been no personnel changes to the Board over the last twelve months but this annual report will represent my last as Chairman and Non-Executive Director of Guernsey Post. I have very much enjoyed my time with the Company, a time which has been both challenging and rewarding.

In handing over responsibilities to my successor, Andrew Duquemin, I do so in the knowledge that the Board has a robust strategic plan in place and a clear understanding of the actions and initiatives that will be required over the coming years in order to ensure sustainable success.

D R Jehan, *Chairman*
July 2015

Guernsey Post have been awarded the Investors in People Gold in 2015

Business Review for the Year

OUR RESULTS

We are pleased to report that our financial and business performance over the last year has again been strong, despite the difficult trading conditions within the postal industry. As has been the case in recent years, the significant volume fluctuations and changing customer demands continue to drive the need for our progressive restructuring, which has been the key to our success.

Once again, we are grateful to the team at Guernsey Post for their hard work and dedication, all of which has been fundamental in achieving our results.

PROFIT AND LOSS

Operating profit for the year was £0.4m, representing an improvement of £0.1m on the previous year. It should be noted that associated FRS17 pension costs have increased by a further £0.3m during the year. On a like for like basis, actual operating performance has, therefore, seen an improvement of £0.4m.

Pre-tax profit for the year was £1.0m, which was down £0.1m on prior year. A reduction of £0.6m in investment returns on our balance held within the States of Guernsey Cash and Investment Pool is a key contributor to this reduction.

Turnover for the year was £33.6m, which represented an increase of £0.4m (2%) on prior year.

Expenditure for the year was £33.2m, an increase of £0.3m in the year.

Direct costs associated with servicing our revenue streams have decreased by 0.6% to £18.0m during the year, representing a cost reduction to the business of £0.1m. This is particularly pleasing against the backdrop of net revenue growth in the year and is a demonstration of the ongoing operational and price controls in place within the business. Gross Profit for the year was £15.6m, an improvement of £0.5m and up 3.6% on the prior year.

Staff expenditure for the year was £10.6m, an increase of 3% on prior year and is, in part, reflective of the ongoing cost involved in servicing the growth in on-island parcel deliveries. The average number of full-time equivalent employees increased marginally during the year to 225.

Operating expenditure remained in line with prior year at £3.0m, despite an increase of £0.3m in the FRS17 pension charge. On a like for like basis, when excluding pension charges and the profit and loss the sale of fixed assets, operating expenditure saw a decrease of £0.1m, a demonstration that discretionary expenditure continues to be tightly controlled.

The business has an ongoing commitment to identifying and delivering cost savings across all areas of the operation. Numerous building related capital projects, some already implemented and others scheduled for later this year, will further support this commitment.

> *"The business has an ongoing commitment to identifying and delivering cost savings across all areas of the operation."*

BALANCE SHEET

Shareholders' funds decreased significantly by £7.1m from £11.3m to £4.2m. The primary driver being a further £8.3m widening of the net pension scheme deficit under FRS17. The gross pension scheme deficit, as reported under FRS17, now stands at £25.1m. An important financial factor underlying this change is the relationship between the corporate bond based discount rate, which has fallen in the year and resulted in an increase in the associated scheme liability. This continues to be the case despite fair investment performance of the fund assets, ongoing employee contributions and higher than required contributions by the Company.

Aside from FRS17, the Company does continue to operate with a strong Balance Sheet and a healthy liquidity position. At the year end, the Company reported a cash balance of £11.5m and £3.3m of current assets, supported by a £12.8m fixed asset base. Current liabilities were £3.4m.

CASHFLOW STATEMENT

The Company consumed £0.5m of cash during the year, decreasing its cash reserves to £11.5m.

Operating cashflow contributed £1m in the year, with the Company again making strong profits before major non-cash items such as depreciation, amortisation and FRS17 adjustments.

Capital expenditure for the year was £1.0m. The primary investment being the final instalment of £0.8m on the Company's new sortation machines. In addition, the Company invested a further £0.2m, both as part of its ongoing vehicle fleet replacement programme and in a number of building related infrastructure improvements.

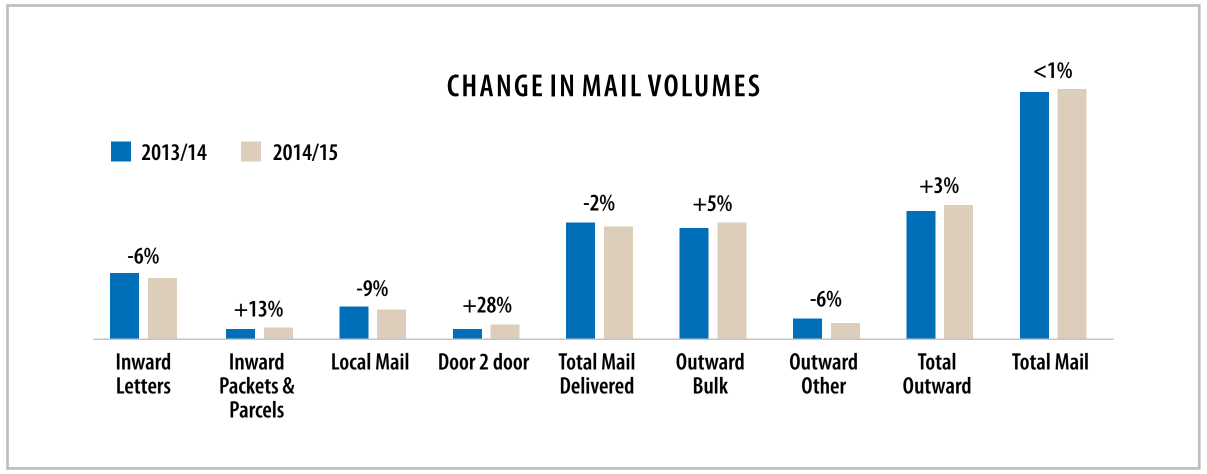
Interest income receipts were £0.6m lower than prior year at £0.3m as a result of decreased yields on funds placed within the States of Guernsey Cash and Investment Pool. A dividend of £0.75m was paid during the year.

OPERATIONAL SUMMARY

Total number of mail items handled during the year was around 44m, which represents a marginal increase on the prior year.

Total mail delivered was down 2% on prior year and impacted by the ongoing decline seen in inward letters and local mail volumes, which were down 6% and 9%, respectively. This was offset by another year of strong growth in our inward packets and parcel volumes, which were up 13% on prior year. Our Door2Door delivery product also performed very well in the year, with a 28% increase seen in the number of items delivered when compared to prior year.

Outward Bulk volumes also showed some growth during the year, up 5% on 2013/14.



QUALITY OF SERVICE

Illustrated below is our Quality of Service performance against the targets set by the Channel Islands Competition and Regulatory Authority (CICRA). It is worthy of note that our delivery standards over the past three years in all areas of mail have seen an improvement, with only mail posted in the UK for delivery in Guernsey falling just short of the targets set by CICRA for this year. All other mail delivery targets exceed the regulator target and are a demonstration of our continued commitment to ensuring the timely delivery of mail across our network.

	2012/2013	2013/2014	2014/2015	Regulator Target
LOCALLY POSTED MAIL				
Delivered Locally	93%	97%	98%	95%
Delivered in Jersey	73%	82%	85%	82%
Delivered in UK	83%	86%	86%	82%
MAIL POSTED OUTSIDE OF GUERNSEY, AND DELIVERED IN GUERNSEY				
Posted in Jersey	69%	81%	88%	82%
Posted in UK	73%	71%	81%	82%

BUSINESS UNIT PERFORMANCE

BULK MAIL

Revenues continue to be a key contributor to our overall business performance, contributing over £17m of total revenue and has seen a further 2% increase in the year.

It was with disappointment to note that two of our key account customers have decided to relocate their fulfilment operations to the UK. The relocation of both companies will be virtually complete by the end of the first quarter of the 2015/16 financial year, the impact of which will likely see our bulk mail revenue fall by 15%. Volumes from our other bulk mail customers continue to grow.

INBOUND MAIL

Revenues of £7.6m have continued to enjoy solid growth, with an increase of 6% on prior year. This strong performance is directly aligned to the ongoing increase in the delivery of packet and parcel volumes, linked to the continued growth in internet shopping.

OUTBOUND MAIL

Revenues of £5.4m are down 10% in the year. An ongoing decline in traditional mail volumes, with close to double digit percentage reductions when compared with prior year.

PHILATELIC

The Business Unit has again performed well over the year delivering an operating profit of £0.2m with a turnover of £1.0m.

As in recent years, the Philatelic team have focused on producing a high quality product with a strong emphasis on innovation. In May 2014, Guernsey was the fourth Postal Administration in the world to issue a stamp celebrating the hobby of Postcrossing, which promotes the sending and receiving of postcards. Its online community has over half a million members and, since its creation in 2008, over 30 million 'Postcrossing' postcards have been sent. Many members of the Postcrossing community are also avid stamp collectors.

The second Guernsey Marine Life issue saw further use of augmented reality technology, allowing the images on stamps to come to life by scanning the stamps with application based software for smartphones and tablets.

In February 2015, Guernsey launched its own Post & Go stamps in conjunction with Royal Mail. This is a label based product which bears a unique serial number on each label. The product has attracted significant interest from existing Royal Mail Post & Go collectors and sales to date have been promising. Sales through the World Online Philatelic Agency (WOPA) have continued to increase and represents sales channel.

FINANCIAL SERVICES

We were delighted to launch a new partnership in Sark with NatWest Bank, enabling the provision of banking services at our Sub Post Office. This enhancement to our range of services is very much consistent with our ongoing strategy to develop the use of the wider Sub Post Office network.

Our foreign exchange business, Batif, has had an excellent year with underlying profit up 40%. The improvement in performance is almost entirely attributable to the relative strength of the Pound against the Euro, although internal efficiencies have resulted in a reduction in operating costs.

OUTLOOK

Inevitably, the consequences of the loss of bulk mail customers and the increasing pension obligations will have a significant and negative impact on our financial performance. As such, the Board is anticipating an operating loss in the next financial year but is determined to ensure the negative financial impact is offset with further restructuring of the business.

A key priority for the Board over the coming year will be the reform of the Final Salary Pension Scheme. The Company's employees are members of the States of Guernsey Public Sector Pension Scheme (PSPS). The Company's Board, Employees and the associated Trade Unions have no involvement in the management of the current scheme, thereby compounding the current issues. It is worthy of note that the deficit position has now more than doubled in size in the past three years from £11.6m in 2013 to £25.1m in 2015.

Whilst our actual cash obligation to pay into the pension scheme is not directly determined in the short term by the outcome of the FRS17 valuation, the Board continues to be deeply concerned with the increasing size of this deficit, the uncertain and open ended nature of this liability and the ultimate strain on the financial position of the business. Furthermore, the more immediate and short term impact of the existing scheme on Company profitability is a cause for concern, with total pension related cost expected to be around £3.8m for the following financial year, a rise of £1.9m.

The Board had anticipated changes proposed by the States of Guernsey as part of a wider reform of the Public Sector Pension Scheme would have been agreed and implemented long before now. This not being the case and with no certainty in terms of timescales for a resolution, or indeed any guarantee that the eventual outcome will be suitable for Guernsey Post, the Board has opened its own reform negotiations with its Trade Unions.

We have continued to experience significant shifts in our core volumes. Whilst letter mail continues to decline, for the most part due to electronic substitution, the growth of parcel mail continues to accelerate. The movement in volume is driving a significant restructure of our operations, which will be completed over the coming twelve months. This change will involve the consolidation of our letter and parcel delivery network, significant investment in a fit for purpose delivery fleet and improvements to our quality of service.

The Board is optimistic about the delivery of these initiatives and will continue to focus on the delivery of the Company strategy, securing the long-term sustainability of the Universal Service Obligation and meeting the objectives of our Shareholder.

Corporate Social Responsibility / Environment Report

Year on year, Guernsey Post strives to maintain a consistent approach to community affairs, charity fundraising and to providing the best working solutions for environmental issues.

Over 13 charities benefited in some form or other from initiatives organised by employees. Running, cycling, fishing and cake baking are just a few ways in which postal workers help to raise awareness of community projects, charities or club fundraising. Guernsey Post gives an extra boost to all these efforts by supplying financial assistance (most commonly on a matched fund raising basis), or by giving time for employees to achieve their events.

Along with the many community projects undertaken, our postal workers often help out on a day to day basis with the general public. Replacing flat tyres, rehoming lost dogs and helping to move items for a customer are just a few of the helpful incidents in a postie's day.

Joining forces with charities, such as the Guernsey Voluntary Service, we also help spread a little Christmas cheer. The Meals on Wheels customers once again had the opportunity to send their Christmas cards to their friends and family within the Bailiwick free of charge.

A few charities that have benefited over the last 12 months include:-
Guernsey Foster & Adoption, Race for Life, Les Bourgs Hospice, Sarnia Rescue, MUG, DiGeorge Syndrome, Charity Horse Show for EGS, MIND, Red Nose Day, Bulstrode House

> *"The replacement of our old lighting system was a major project. New LED lighting, which uses up to 60% less energy and provides better quality light, has been fitted throughout the first floor and the ground floor offices of Envoy House, saving a minimum of 44,500 kWh per year."*

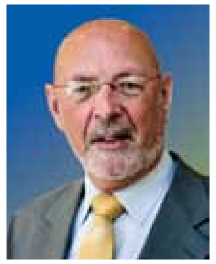
The continuing challenge for companies to improve the impact of their operations on the local and global environment is firmly established in our Environment Policy.

Along with the more commonly and regularly recycled goods, such as paper and cardboard, we recycled a large number of old florescent tubes to the UK with the plastic and metal fittings being sent to a local centre.

The replacement of our old lighting system was a major project. New LED lighting, which uses up to 60% less energy and provides better quality light, has been fitted throughout the first floor and the ground floor offices of Envoy House, saving a minimum of 44,500 kWh per year.

By continuing and completing the lighting replacement project, the aim for the coming year is to make further savings and, on completion, a total minimum saving of 200,000 kWh of electricity per year will be achieved. This equates to approximately 102 tonnes of CO^2.

Commonly recycled material:
Non confidential paper, Magazines, Shredded confidential paper, Cardboard, Plastics, Polystyrene, Glass, Metal



Dudley Jehan
CHAIRMAN

Born and educated in Guernsey, Dudley Jehan trained as a Meteorologist with the Air Ministry, working at Heathrow and Guernsey Airports before joining the British Antarctic Survey in 1960. During his four-year posting he was appointed Base Commander Halley and was awarded a Polar Medal by Her Majesty the Queen for outstanding contribution to science and discovery.

On returning to Guernsey he began a career in commerce, retiring in 2003 as Chief Executive of the Norman Piette Group of eight Channel Island trading companies serving the construction and home improvement sectors. He remains NP Group's Chairman today.

He was appointed the first Chairman of Guernsey Telecoms Limited, has held a number of non-executive directorships and has been a non-States Member for over 25 years.
He is currently a member of the Housing Department.

Boley Smillie
CHIEF EXECUTIVE

Born and raised in Guernsey, Boley Smillie joined Guernsey Post in 1991 straight from his secondary education at La Mare de Carteret School. The subsequent twenty three years have seen him gain a wide range of experience in different roles, rising through the ranks of the Company. Initially employed as a clerical assistant he moved to Customer Services, then on to Logistics before being promoted to Head of Letters and Parcels in 2004. He became Operations Director in 2007 and an Executive Director in April 2010. In July 2010 he was appointed interim Chief Executive before taking the role on a permanent basis in September 2010.

During this time he has added to his hands on experience by undertaking a number of professional qualifications, including certificates in marketing and business and finance.
Most recently he was awarded the certificate in Company direction from the Institute of Directors.

Steve Sheridan
FINANCE DIRECTOR

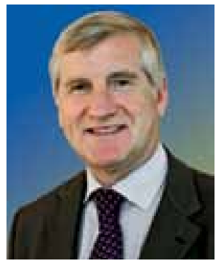
Steve Sheridan was born and educated in Nottingham, before work opportunities brought him to Guernsey in 1993.

He has over 20 years' experience in accountancy and financial control, holding a number of senior roles for a variety of firms within Insurance, Fiduciary, Retail and the Banking industries. He qualified in 2004 before joining All in Black as their Financial Controller and General Manager. During his time in this role, he was successful in creating an effective management reporting solution for the business, out of which a number of key rationalisation initiatives were undertaken.

His next role took him to Credit Suisse, where he held a variety of positions, one of which was part of a project team tasked to ensure the successful deployment of their Financial Accounting function to its offices in India. More latterly Steve was employed within the Private Banking and Asset Management Division where he held the position of Head of Financial Management for the Channel Islands.

Steve brings with him a wealth of accountancy and financial control knowledge as well as a strong commercial acumen.

Steve was appointed Finance Director with Guernsey Post in early 2014.



Steve Hannon
NON-EXECUTIVE

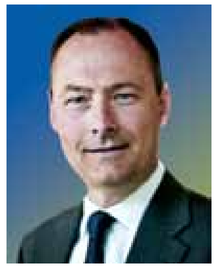
Steve Hannon has over 40 years' experience in the postal industry. For the majority of that time he worked for Royal Mail where he managed several multi million pound, high profile national projects including the introduction of postal automation, a new rail, road and air network, rationalising and revamping London's mail centre infrastructure and planning the nationwide introduction of the single letter delivery.

He also spent a two-year period as a divisional General Manager responsible for a workforce of 13,000 people and an annual budget of £400m. During this time he covered the complete range of management functions embracing sales, customer services, finance, human resources, planning and operations.

Since leaving Royal Mail in 2003 he has undertaken consultancy work in the postal field and became a director of Postal and Logistics Consulting Worldwide. He was appointed Chief Executive of the Company in 2008.

Between July 2006 and February 2007 he undertook the role of Interim Chief Executive of Guernsey Post.

BOARD PROFILE



Andrew Duquemin
NON-EXECUTIVE

Andrew Duquemin has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He has extensive experience in the listing of companies on both the London Stock Exchange and The Channel Islands Stock Exchange. He is also a director of Corporate Consultants Limited, a Guernsey based consultancy business that has provided corporate finance and management consultancy services since 1991.

He is Chairman of Elysium Fund Management Limited, a Company providing fund management, administration and corporate finance services to a range of funds and trading companies.

Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered Company and wholly owned subsidiary of Collins Stewart Tullett plc, where Andrew was managing director.

Andrew sits on the boards of several local trading companies, a London-based investment bank and a recently formed P2P business. He is also a Fellow of the Chartered Institute for Securities & Investment and holds the advanced diploma in Corporate Finance.

Stuart Le Maitre
NON-EXECUTIVE

Stuart Le Maitre was born and educated in Guernsey. Following a brief period of employment at the Guernsey Post Office, he studied in Bristol and obtained a degree in Education and a post graduate qualification in Careers Guidance.
He held a senior position in the Careers Service at Buckinghamshire County Council for five years before returning to join the Civil Service in Guernsey, and held senior positions for the next 20 years.

During this time, his responsibilities included the development and oversight of departments responsible for industrial relations and employment legislation, trading standards and consumer affairs, health and safety in the work place and initiatives to support the development of the non-finance sector of the Island's economy. Having worked on the development of the regulatory framework for the Bailiwick of Guernsey and the establishment of the Office of Utility Regulation, he was also involved in the commercialisation of the States' Trading Utilities.

On leaving the Civil Service, Stuart undertook a variety of consultancy assignments and in 2006 was appointed as Chief Operating Officer with responsibility for the set up phase of new local mobile telephone Company. More recently he held the position of Chief Executive of the Medical Specialist Group in Guernsey until he resigned from this post in June 2013. He has recently taken up the position of Junior Constable for the Vale Parish and holds other local board positions.

Simon Milsted
NON-EXECUTIVE

On qualification as a Chartered Accountant in 1982, Simon Milsted joined the London City office of Price Waterhouse, during which time he was engaged on a series of special assignments for the Bank of England. Two consecutive assignments took him to the West Country, following which he moved his young family westwards transferring permanently to Price Waterhouse's Bristol office.

In 1988, Simon co-founded an independent firm of Chartered Accountants that soon became one of the fastest growing and most well respected independent firm of advisers in the South West, bringing a high level of specialist and consulting advice to the owner-managed business community across the region.

In 1995, Simon invested in and became non-executive chairman of the BSI Group, a business process outsource specialist in the business travel sector, which became the European leader in its field. Simon has held office as Regional President of the Institute of Chartered Accountants in England and Wales, sat on a number of Government sponsored business support bodies and was a governor and non-executive treasurer of a leading South West public school.

Since his move to Guernsey in 2010, Simon has pursued an active engagement with businesses and not for profit organisations on the Island both in an advisory capacity and as principal.

Corporate Governance Report

COMPLIANCE

The Combined Code on Corporate Governance 2006 (the Code) outlines the main principles and provisions that companies should adopt in relation to corporate governance. This report describes Guernsey Post's compliance with the Code. Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with the Treasury & Resources Department that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work on its corporate governance programme during the financial year ending 31 March 2015, and the achievements are summarised in this report.

THE BOARD

DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Company within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Company's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Company, sets its values and standards and takes decisions objectively in the interests of the Company, its Shareholder and other stakeholders.

Non-executive directors help to develop and challenge the Company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for executive directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to our Shareholder and those which can be delegated to Committees of the Board or senior management.

There were nine board meetings held during 2014/15. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 11-12, together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Guernsey Post has a non-executive Chairman and a Chief Executive. There is a clear division of responsibility between the two positions, with the Chairman responsible for the running of the Board and the Chief Executive responsible for the running of the Company's business.

Dudley Jehan spends, on average, one day per week in his role as Chairman. He is also Chairman of the Norman Piette Group. The Board considers that his external directorships do not make conflicting demands on his time as Chairman.

Andrew Duquemin is the senior independent director and is available to talk to our Shareholder, if it has any issues or concerns.

BOARD BALANCE AND INDEPENDENCE

Throughout the year the Company has had a balance of independent non-executive directors on the Board, who ensure that no one person has disproportionate influence. All the non-executive directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five non-executive directors and two executive directors on the Board.

APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of non-executive directors has to be ratified by the States of Deliberation.

The Nominations Committee meets quarterly to consider the balance of the Board, job descriptions and objective criteria for board appointments and succession planning.

INFORMATION AND PROFESSIONAL DEVELOPMENT

For each scheduled board meeting, the Chairman and the Company Secretary ensure that, during the week before the meeting, the directors receive a copy of the agenda for the meeting, financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled board meeting, the directors receive the prior month and cumulative Company financial and operating information.

All newly appointed directors participate in an extensive internal induction programme that introduces the director to the Company and includes visits to key stakeholders. The Company Secretary gives guidance on board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with board procedures. This includes recording any concerns relating to the running of the Company, or proposed actions arising there from that are expressed by a director in a board meeting. The Company Secretary is also secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all directors on board procedures, corporate governance and regulatory compliance.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Attendance during the year for all board and board committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Dudley Jehan	8/9			
Boley Smillie	9/9			
Stephen Sheridan	9/9			
Steve Hannon	6/9		4/4	4/4
Andrew Duquemin	9/9	2/2		
Simon Milsted	8/9	2/2		
Stuart Le Maitre	7/9		4/4	4/4

(A) The first figure represents attendance and the second figure the possible number of meetings e.g. 7/9 represents attendance at 7 out of a possible 9 meetings. Where a director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down or after the date of appointment are shown.

PERFORMANCE EVALUATION

The Board undergoes an annual evaluation of its performance. The evaluation consists of a confidential questionnaire, which is independently assessed, and a report that is then submitted to the Board, followed by an open discussion facilitated by the Chairman.

ELECTION AND RE-ELECTION OF DIRECTORS

Guernsey Post Limited's articles state that a non-executive director should be proposed for re-election if he or she has been appointed to the Board since the date of the last AGM, or proposed for re-election if he or she has held office more than three years at the date of the notice convening the next AGM. The Board ensures that each non-executive director submits himself or herself for re-election by Shareholder at least every three years.

Non-executive directors serve the Company under letters of appointment, which are generally for an initial three year term. Their appointment is also ratified by the States of Deliberation.

In accordance with the Articles of Association D R Jehan is due to retire as Chairman of the Board of Directors and does not offer himself up for re-election. S Milsted is due to retire by rotation and being eligible offers himself for re election at the forthcoming AGM.

REMUNERATION

The Board recognises the importance of executive directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and non-executive directors are determined by the Treasury & Resources Department.

The Remuneration Committee, which is chaired by Stuart Le Maitre, consists of two non-executive directors and determines remuneration levels and specific packages appropriate for each executive director, taking into account the Group's annual salary negotiations. No director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the directors which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The intention of the Annual Report is to provide a clear assessment of the performance and prospects of Guernsey Post Limited. The Company has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including balance sheet, cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised quarterly in the light of this comparison and are also reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

All directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and where possible, mitigate the Company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

In 2012, the Audit Committee considered the need for an internal audit function and concluded that the financial position, size and complexity of the Company could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team.

AUDIT COMMITTEE AND AUDITOR

The Board has delegated responsibility to the Audit Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the Company's relationship with the Company's external auditor. The Committee members comprise independent non-executive directors. Andrew Duquemin, who is a qualified accountant, was appointed as the chairman of the Audit Committee and the Board is satisfied that Andrew has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Simon Milsted is the other member of the Audit Committee. Simon is a qualified accountant with wide experience of owning and managing trading companies.

The Audit Committee most recently went out to tender for the Company's external auditors during 2012/13 and following a rigorous process, the Audit Committee recommended the re-appointment of KPMG on a rolling one-year basis, which was ratified by the Board and the Shareholder and which will continue for 2015/16.

The Committee meets once a year with representatives of the Company's external auditor, and the Chief Executive and the Finance Director also attend the meetings.

SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There are regular meetings between the Chief Executive and the Finance Director of Guernsey Post, and the Chief Officer and Chief Accountant of Treasury & Resources. The Company presents its strategic plan to our Shareholder for approval every year.

The Chairman and senior independent director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the non-executive directors meet with our Shareholder at the AGM.

The date of the AGM is agreed with our Shareholder and ten days working notice is given. The AGM is chaired by Guernsey Post, with presentations made by the Executive Team to facilitate awareness of the Company's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each board committee during the AGM.

COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

In addition to regular scheduled board meetings, the Company operates through various board committees, of which the membership and main terms of reference are set out below (except the Audit Committee which is outlined above).

Stuart Le Maitre is the Chairman of the Nominations Committee, supported by Steve Hannon. The main terms of reference of this Committee are to review regularly the structure, size and composition of the Board and to make recommendations on the role and nomination of directors for appointment to the Board, Board Committees and as holders of any executive office. The Committee met four times in 2014/15 and all members of the Committee were present.

Stuart Le Maitre is also the Chairman of the Remuneration Committee, supported by Steve Hannon. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and to determine the policy for, and scope of, pension arrangements for each executive director. The Committee met four times in 2014/15 and all members of the Committee were present.

Andrew Duquemin is the Chairman of the Pensions Committee, supported by Simon Milsted, the Chief Executive and the Finance Director. The main terms of reference of this Committee are to review and make recommendations to the Board on the Company's retirement and post-retirement benefit arrangements, including the control and funding of such arrangements. Given the importance and scale of the pension issues facing the Company, the full Board considered regularly the pension scheme arrangements at its meetings, and the Pension Committee advised the Board on the development of strategic options to reorganise the pension scheme given the likely increase in its cost, and the uncertainty it creates for the Company.

DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Channel Islands Competition and Regulatory Authority (formerly the Office of Utility Regulation). The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

SIGNIFICANT EVENTS

The final quarter of the financial year has seen the Company receive notice that two of its key customers will cease trading in Guernsey. The loss of these customers will have a material impact on Guernsey Post Limited's performance for the year ended 31st March 2016. The Board of Guernsey Post is taking steps to ensure the Company can continue to make operating profits beyond the next financial year, through a combination of further operational efficiency measures, pension reform, tariff changes and new business opportunities.

RESULTS

The results for the year are shown in the profit and loss account on page 15 (*23).

DIVIDEND

The directors recommend a dividend of £Nil for the financial year (2014: £750,000).

FIXED ASSETS

Fixed asset movements for the year are disclosed in note 7 to the financial statements.

DIRECTORS

The directors of the Company, who served throughout the year and at the date of this report, were as follows:

D R Jehan
B Smillie
S Sheridan
S Hannon
A Duquemin
S Le Maitre
S Milsted

No director has an interest either beneficially or non beneficially in any shares of the Company (2014: no interest beneficially or non beneficially).

In accordance with the Articles of Association D R Jehan is due to retire as Chairman of the Board of Directors and does not offer himself up for re-election. S Milsted is due to retire by rotation and being eligible offers himself for re election at the forthcoming AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 and the Post Office (Guernsey) Law 1969. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Channel Islands Limited has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

B Smillie
Chief Executive

D R Jehan
Chairman

*These page numbers refer to the annual financial statements document approved by the auditors

KPMG

Glategny Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 1WR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

We have audited the financial statements of Guernsey Post Limited (the "Company") for the year ended 31 March 2015, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and section 10(1) of the Post Office (Guernsey) Law, 1969. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 13 (*19-20), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- are in accordance with United Kingdom Accounting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited
Chartered Accountants

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2015

	Notes	**31 March 2015 £'000**	31 March 2014 £'000
Income		**33,580**	33,140
Expenditure		**(33,227)**	(32,889)
Operating Profit	2	**353**	251
Other income			
Interest receivable	3	**349**	899
Rent receivable		**117**	87
Profit on ordinary activities before net gain / (loss) on pension scheme		**819**	1,237
Net gain / (loss) on pension scheme		**166**	(153)
Profit on ordinary activities before taxation		**985**	1,084
Taxation credit	4	**170**	86
Profit for the financial year		**1,155**	1,170

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2015

	Notes	**31 March 2015 £'000**	31 March 2014 £'000
Profit for the financial year		**1,155**	1,170
Actuarial loss gain recognised in the pension scheme	17	**(9,400)**	(2,232)
Unrealised gain on revaluation of investment properties	8	**-**	140
Increase in deferred tax asset on actuarial gains and losses	12	**1,880**	446
Total recognised (losses) and gains relating to the year		**(6,365)**	(476)

All activities derive from continuing operations

The notes on pages 18 to 30 (*26 to 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

*These page numbers refer to the annual financial statements document approved by the auditors

FINANCIAL STATEMENTS

BALANCE SHEET

As at 31 March 2015

	Notes	**31 March 2015 £'000**	31 March 2014 £'000
Fixed assets			
Intangible assets	6	**161**	215
Tangible assets	7	**11,558**	11,394
Investment properties	8	**1,040**	1,040
Investment in subsidiaries	9	**-**	-
		12,759	12,649
Non Current Assets			
Deferred tax		**148**	141
Current assets			
Stock		**215**	169
Debtors	10	**3,077**	3,296
Cash at bank and in hand	16	**11,485**	11,994
		14,777	15,459
Creditors: Amounts falling due within one year	**11**	**(3,392)**	**(5,126)**
Net current assets		**11,385**	**10,333**
Total assets less current liabilities		**24,292**	23,123
Net pension liability	17	**(20,116)**	(11,832)
Net assets including pension liability		**4,176**	**11,291**
Capital and reserves			
Share Capital	13	**13,886**	13,886
Profit and loss account	14	**(9,835)**	(2,720)
Revaluation reserve	14	**125**	125
Shareholders' funds	15	**4,176**	11,291

The financial statements were approved by the Board of Directors and authorised for issue on 7th August 2015.
They were signed on its behalf by:

B Smillie
Chief Executive

DR Jehan
Chairman

The notes on pages 18 to 30 (*26 to 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Notes		**31 March 2015 £'000**		31 March 2014 £'000
Net cash inflow from operating activities	16		**957**		3,517
Returns on investments and servicing of finance					
Interest received		**284**		872	
Rent received		**117**		106	
Net cash inflow from returns on investments and servicing of finance			**401**		978
Taxation			**(90)**		(88)
Capital Expenditure					
Purchase of fixed assets		**(1,031)**		(1,110)	
Sale of fixed assets		**4**		-	
Net cash outflow from capital expenditure			**(1,027)**		(1,110)
Repurchase of share capital	13		**-**		(3,500)
Dividend paid	5		**(750)**		(139)
Decrease in cash	16		**(509)**		**(342)**

The notes on pages 18 to 30 (*26 to 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015

1. STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements give a true and fair view, have been prepared in accordance with applicable United Kingdom Accounting Standards and are in compliance with the Companies (Guernsey) Law, 2008.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold investment properties.

Income

Sales of stamps and the crediting of franking machines are accounted for on a receipt of funds basis. All other income is accounted for on an accruals basis.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling or delivering mail in respect of stamps and franking machine credits sold but unused at the balance sheet date.

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The pension scheme deficit shown in the balance sheet is net of the deferred tax asset.

Pension costs

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. Such variations are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated remaining working life of the scheme members. The scheme is funded with assets of the scheme held separately from those of the Company.

The employees' pension scheme is a defined benefit scheme. The Company applies Financial Reporting Standard 17, "Retirement Benefits" ("FRS 17"). In accordance with FRS 17 current service costs and any post service costs are charged to the profit and loss account, together with the finance costs and income for the scheme. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses for the period in which they occur. Pension scheme assets are measured using market values for quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using the projected unit credit method, with an actuarial valuation being carried out each year at the balance sheet date. The retirement benefit deficit in the scheme, net of the related deferred tax asset, is recognised as net pension liability in the balance sheet.

Dividends

Dividends are accounted for when they are paid.

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. Commemorative stamp costs are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. An impairment review is carried out every year and any necessary provision made.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition.

	Estimated life in years	Depreciation %per annum
Freehold land	N/A	Nil
Freehold buildings	30 -50	2-3.3
Plant and equipment	15	6.67
Leasehold improvements	8	12.5
Furniture and fittings, office equipment and postal machinery	3-13	7.7 -33.3
Transport	5	20

Investment Properties

A full external valuation is obtained at least every five years with an interim external valuation in year 3. Interim valuations in years 1, 2 and 4 may be carried out if the directors consider it is likely that there has been a material change in value. Revaluation surpluses or deficits on individual properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

Investment in subsidiaries

The investment in subsidiaries is stated at cost. The subsidiaries have not been consolidated on the basis that they are dormant, and non-consolidation does not have a material impact on these financial statements.

Foreign currency

Foreign currency held in German and Dutch bank accounts is translated at the exchange rate prevailing at the balance sheet date. Gains or losses are taken to the Profit and Loss account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

2. Operating profit

Operating profit is stated after charging:	**31 March 2015 £'000**	31 March 2014 £'000
Staff costs	**10,580**	10,316
Auditors' remuneration		
Audit fees	**33**	33
Other services	**6**	-
Amortisation of goodwill	**54**	54
Directors' remuneration	**386**	317
(Profit)/Loss on disposal of fixed assets	**(4)**	140
Depreciation of tangible fixed assets	**867**	828

Average full time equivalent employee numbers for the period were as follows:

	31 March 2015	31 March 2014
Operational staff including postmen and women, post office counter staff and philatelic production staff	**177**	175
All other staff	**48**	47
Total	**225**	222

3. Interest receivable

	31 March 2015 £'000	31 March 2014 £'000
States Treasury	**347**	893
Other	**2**	6
	349	899

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

4. Taxation

	Notes	31 March 2015 £'000	31 March 2014 £'000
Current year tax		**16**	101
Prior year tax		**12**	4
Deferred tax credit for the year	12	**(198)**	(191)
		(170)	(86)

Guernsey Post Limited as a Guernsey Utility Company regulated by the Channel Islands Competition and Regulatory Authority (CICRA) is subject to the standard rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis.

The actual tax credit differs from the expected tax charge computed by applying the standard rate of Guernsey income tax of 20% as follows:

	31 March 2015 £'000	31 March 2014 £'000
Profit on ordinary activities before taxation	**985**	1,084
Tax at 20%	**197**	217
Effects of adjusting items:		
Timing differences	**18**	25
Sundry adjustment to prior years' tax	**12**	4
Disallowed expenses	**13**	44
Rate differences on current tax	**(403)**	(381)
Adjustment for pension costs	**191**	196
Current tax charge	**28**	105
Deferred tax - pension deficit	**(191)**	(196)
Deferred tax - timing differences	(7)	5
Profit and loss taxation credit	**(170)**	(86)

5. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2015 £'000	31 March 2014 £'000
Final dividend for the year ended 31 March 2014 of 0.005p (31 March 2013 0.008p)	**750**	139

The board is proposing a final dividend of £Nil of pre-tax profit for the year ended 31 March 2015. (2014: £750k).

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

6. Intangible assets - Goodwill

	£'000
Cost	
At 1 April 2014 & 31 March 2015	543
Amortisation	
At 1 April 2014	328
Charge for the year	54
At 31 March 2014	382
Net book value	
At 31 March 2013	215
At 31 March 2014	**161**

The goodwill arose on the acquisition of the trade and net assets of BATIF Bureau de Change Limited in 2008.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

7. Tangible fixed assets

	1 April 2014 £'000	Additions £'000	Written off / disposals / transfers £'000	**31 March 2015 £'000**
Cost				
Freehold land	2,505	-	-	**2,505**
Freehold buildings	8,615	50	-	**8,665**
Plant and equipment	2,662	-	-	**2,662**
Leasehold improvements	394	-	-	**394**
Furniture and fittings	341	66	(1)	**406**
Office equipment	1,026	84	(4)	**1,106**
Postal machinery	1,479	750	-	**2,229**
Transport	1,037	81	(11)	**1,107**
	18,059	1,031	(16)	**19,074**

	1 April 2014 £'000	Charge for the year £'000	Written off / disposals / transfers £'000	**31 March 2015 £'000**
Depreciation				
Freehold land	-	-	-	**-**
Freehold buildings	1,949	178	-	**2,127**
Plant and equipment	2,024	255	-	**2,279**
Leasehold improvements	287	50	-	**337**
Furniture and fittings	194	27	(1)	**220**
Office equipment	800	89	(4)	**885**
Postal machinery	498	202	-	**700**
Transport	913	66	(11)	**968**
	6,665	867	(16)	**7,516**
Net book value	11,394			**11,558**

Freehold land with a value of £2,505,000 (2014: £2,505,000) is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

8. Investment properties

	Market Value 31 March 2015 £'000	Market Value 31 March 2014 £'000
At 1 April 2014	**1,040**	900
Revaluations during the period	**-**	140
At 31 March 2015	**1,040**	1,040

Investment properties, which are all freehold, have been valued on an open market existing use basis at 4 April 2014 by Watts & Co Limited.
This year, the directors are of the opinion that it is unlikely there has been any material change in the valuation of the property.
Such properties are not depreciated.

9. Investment in subsidiaries

	31 March 2015 £'000	31 March 2014 £'000
BATIF Bureau de Change Limited	-	-
	-	-

On 1 April 2008 the Company acquired 100% of the issued share capital of BATIF Bureau de Change Limited, which consists of 100 fully paid up £1 shares. Upon acquisition, the trade and net assets of BATIF Bureau de Change Limited were transferred to Guernsey Post Limited and BATIF Bureau de Change Limited changed to a dormant company. Guernsey Post Limited pays the administration costs for this company.

10. Debtors

	31 March 2015 £'000	31 March 2014 £'000
Trade debtors	**2,853**	2,827
Less: Provision for bad debt	**(38)**	(42)
Other debtors	**16**	24
Prepayment and accrued income	**181**	426
Interest receivable	**65**	61
	3,077	3,296

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

11. Creditors

	31 March 2015 £'000	31 March 2014 £'000
Amounts falling due within one year		
Trade creditors	**1,686**	1,905
Other creditors	**1,175**	2,681
Accruals and deferred income	**472**	418
Rental income paid in advance	**32**	33
Taxation payable	**27**	89
	3,392	5,126

12. Non Current assets - Deferred Tax

	Deferred taxation - Accelerated Capital Allowances £'000	Deferred taxation - Pension Deficit/surplus £'000	Total £'000
At 1 April 2014	141	2,957	**3,098**
Charged to statement of total recognised gains and losses	-	1,880	**1,880**
Debit/(credit) to profit and loss account	7	191	**198**
At 31 March 2015	148	5,028	**5,176**

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by CICRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income.

The provision for liabilities and charges in the balance sheet excludes the deferred tax asset of £5.028m relating to the pension scheme deficit. The pension scheme deficit in the balance sheet is shown net of this deferred tax asset.

13. Share capital

	31 March 2015 £'000	31 March 2014 £'000
Authorised		
40,000,000 ordinary shares of £1 each	**40,000**	40,000
Allotted, called-up and fully-paid		
13,886,000 ordinary shares of £1 each (2014: 13,886.000)		
Opening share capital at 1 April 2014	**13,886**	17,386
Repurchase of share capital	**-**	(3,500)
As at 31 March 2015	**13,886**	13,886

100% of the shares of the Company are owned beneficially by the States of Guernsey.

On 4 June 2013, the Board approved the re-purchase and subsequent cancellation of £3.5m of its share capital as a means of returning surplus cash to its Shareholder.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

14. Reserves

	31 March 2015 £'000	31 March 2014 £'000
Profit and loss account		
Opening reserves at 1 April 2014	**(2,720)**	(1,965)
Retained profit for the year	**1,155**	1,170
Actuarial loss for the year, net of movement in deferred tax	**(7,520)**	(1,786)
Dividend paid	**(750)**	(139)
As at 31 March 2015	**(9,835)**	(2,720)

Revaluation reserve	31 March 2015 £'000	31 March 2014 £'000
Opening reserves at 1 April 2014	**125**	(15)
Unrealised gain on revaluation of investment properties	**-**	140
As at 31 March 2015	**125**	125

15. Reconciliation of movement in shareholders' funds

	31 March 2015 £'000	31 March 2014 £'000
Profit for the financial year	**1,155**	1,170
Actuarial loss recognised in the pension scheme	**(9,400)**	(2,232)
Increase in deferred tax asset on actuarial gains and losses	**1,880**	446
Repurchase of share capital	**-**	(3,500)
Unrealised gain on revaluation of property	**-**	140
Dividend paid on equity shares	**(750)**	(139)
Net reduction in shareholders' funds	**(7,115)**	(4,115)
Opening shareholders' funds	**11,291**	15,406
Closing shareholders' funds	**4,176**	11,291

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

16. Reconciliation of operating profit to net cash inflow from operating activities

	31 March 2015 £'000	31 March 2014 £'000
Operating profit	**353**	251
Depreciation charges	**867**	828
Amortisation	**54**	54
Net pension scheme service costs	**1,120**	827
Increase in stock	**(47)**	(14)
Decrease / (Increase) in debtors	**252**	(838)
(Profit) / Loss on disposal of fixed assets	**(4)**	140
(Decrease) / Increase in creditors	**(1,638)**	2,269
Net cash inflow from operating activities	**957**	3,517

Reconciliation of net cash inflow to movement in net funds

	31 March 2015 £'000	31 March 2014 £'000
Decrease in cash balances	**(509)**	(342)
Net funds at 1 April 2014	**11,994**	12,336
Net funds at 31 March 2015	**11,485**	11,994

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

17. Pension Fund

Employees of the Company, where they are eligible and have chosen to join, are members of the States of Guernsey Superannuation Scheme. This is a defined benefit pension scheme funded by contributions from both employer and employees at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected costs of benefits payable to employees over the period of these employees' expected service lives. The assets of the scheme are held by the States of Guernsey and the ultimate liability to pay out any pension when it is realised lies also with the States should the Company be unable to meet its funding commitments.

The scheme has established differing terms for those who joined before 1st January 2008 and those who joined after. For pre-2008 members of the scheme the employee is entitled to a retirement benefit of 1/80th of final salary for each year of membership of the scheme up to a maximum of 45 years on reaching 65 years of age. Additionally a lump-sum payment is paid based on 3/80th of final salary for each year of employment. For members who joined after 1 January 2008 the benefit entitlement accrues at 1/60th of final salary but no lump sum automatically accrues. A lump sum is achievable by commuting part of the pension entitlement. The take up of this commutation into lump sum cannot be known but an assumption based on a prudent forecast has been adopted. This assumes that a 75% commutation will be requested by members. The scheme is a funded scheme. The most recent actuarial update of scheme assets and the present value of the defined benefit obligation was carried out at 31 March 2015 by Mrs D Simon, Fellow of the Institute of Actuaries.

The valuation used for FRS17 disclosures has been based on a full assessment of the liabilities of the Fund. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit method.

The amounts recognised in the Balance Sheet are as follows:

	31 March 2015 £'000	31 March 2014 £'000
Fair value of Fund Assets	**39,826**	36,012
Present value of funded obligations	**(64,970)**	(50,801)
Deficit in the scheme	**(25,144)**	(14,789)
Related deferred tax asset	**5,028**	2,957
Net pension liability	**(20,116)**	(11,832)
Amounts in the Balance Sheet		
Assets	-	-
Liabilities	**(20,116)**	(11,832)
Net pension liability	**(20,116)**	(11,832)

The amounts recognised in the Profit and Loss account are as follows:

	31 March 2015 £'000	31 March 2014 £'000
Current service cost	**2,115**	1,792
Interest on obligation	**2,213**	2,093
Expected return on Fund assets	**(2,379)**	(1,940)
Expense recognised in the Profit and Loss	**1,949**	1,945
Actual return on Fund assets	**3,466**	2,230

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

17. Pension fund - continued

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2015 £'000	31 March 2014 £'000
Opening defined benefit obligation	**50,801**	44,972
Service cost	**2,115**	1,792
Interest cost	**2,213**	2,093
Contributions by members	**432**	418
Actuarial losses	**10,489**	2,522
Benefits paid	**(1,080)**	(996)
Closing defined benefit obligation	**64,970**	50,801

Changes in the fair value of Fund assets are as follows:

	31 March 2015 £'000	31 March 2014 £'000
Opening fair value of Fund assets	**36,012**	33,395
Expected return	**2,379**	1,940
Actuarial gains	**1,087**	290
Contributions by employer	**996**	965
Contributions by members	**432**	418
Benefits paid	**(1,080)**	(996)
Closing fair value of Fund assets	**39,826**	36,012

Analysis of amounts recognised in statement of total recognised gains and losses

	31 March 2015 £'000	31 March 2014 £'000
Total Actuarial losses	**(9,400)**	(2,232)
Total losses in statement of total recognised gains and losses	**(9,400)**	(2,232)
Cumulative amount of losses recognised in statement of total recognised gains and losses	**(17,587)**	(8,187)

Guernsey Post expects to contribute £1,046,000 to the Fund from 1 April 2015 to 31 March 2016.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

17. Pension fund - continued

The major categories of Fund assets as a percentage of the total Fund assets are as follows:

	31 March 2015 %	31 March 2014 %
Equities	**76**	70
Gilts	**1**	3
Corporate Bonds	**14**	14
Other Assets	**7**	9
Property	**2**	4

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages (where applicable)) are as follows:

	31 March 2015 % pa	31 March 2014 % pa
Discount rate	**3.3**	4.4
Expected return on Fund assets at 31 March (for following year)	**N/A**	6.6
Rate of increase in pensionable salaries	**4.15**	4.45
Rate of increase in deferred pensions	**3.4**	3.7
Rate of increase in pensions in payment	**3.4**	3.7

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male, and until age 90 if female. For a member currently aged 45 the assumptions are that, if they attain age 65, they will live on average until age 89 if they are male, and until age 92 if female.

Under the new FRS102 reporting requirements, effective from 1st April 2015, the "expected return on fund assets" and "interest cost" items of the pension cost are combined into a single item called "Net interest on the net defined benefit liability/(asset)". This item will be calculated by reference to the discount rate and so, effectively, the expected return on fund assets assumption is equal to the discount rate, meaning a separate assumption will no longer be required.

Description of the basis used to determine the expected rate of return on the assets

The Employer adopts a building block approach in determining the expected rate of return on the Fund's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the disclosure year end.

Amounts for the current and previous periods are as follows:

	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000
Defined benefit obligation	**64,970**	50,801	44,972	42,107	36,895
Fund Assets	**39,826**	36,012	33,395	29,882	29,101
Deficit	**(25,144)**	(14,789)	(11,577)	(12,225)	(7,794)
Experience Gains/(losses) on Fund assets	**1,087**	290	1,379	(1,940)	1,252
Experience Gains/(Losses) on Fund liabilities	**1,128**	1,537	202	1,913	312

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2015 (continued)

18. Financial commitments

Capital commitments are as follows:

	31 March 2015 £'000	31 March 2014 £'000
Sortation machine	-	762

Annual commitments under non-cancellable operating leases are as follows:

	31 March 2015 Land and buildings £'000	31 March 2014 Land and buildings £'000
Expiry date		
- within one year	11	-
- between two and five years	70	81
- after five years	8	8
	89	89

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

19. Statement of control

The Company is wholly owned and ultimately controlled by the States of Guernsey.

20. Related party transactions

Through the normal course of its business activity the Company both purchases and provides services to its shareholder or entitles under the controlling influence of the shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2015 amount to 2.0% of total turnover (2014: 1.9%). The total value of purchases for the year amounted to 2.6% of total expenses (2014: 2.2% (restated)).

The States also provides, through its Treasury and Resources Department, management of the Company's liquid funds in excess of short term needs. At 31 March 2015, the balance held was £9,405,248 (2014: £10,137,433).

NOTES

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